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ABSTRACT

A new goal for corporate giving to higher education has emerged. It is to increase the amount of giving to the institution each year by at least the amount of inflation. Both inflation and dangerous demographics will threaten higher education excessively in the coming decade. The demographic picture will vary greatly by geographic region, and the effects will be experienced unevenly. A consistent supply of private funds may be the "best guarantee of continued autonomy for all of higher education and of high quality," according to the Carnegie Council on Policy Studies in Higher Education, but private giving is only one of a number of areas the institution must address. Inflation has been so destructive in the recent past that there has been almost no progress, in real dollars, in the buying power of voluntary support. Furthermore, per pupil spending has had to be reduced considerably, threatening educational quality. Corporations are encouraged to not only increase their contributions to match inflation, but also to increase them by more than the inflation rate. (MSE)

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Why a New Goal for Corporate Giving to Higher Education?

by John T. Fey, Chairman
The Equitable Life Assurance Society of the United States

As a man who has run both businesses and universities, John T. Fey can speak with authority about both. His double-barreled experience lends particular pertinence to his strong belief that corporations need to rethink their policies of educational support in the coming decade. Dr. Fey expressed this conviction at meetings of corporate executives in Cleveland, Ohio, and Hartford, Connecticut, during 1980. Their favorable response prompted CFAE to reprint and distribute his remarks.

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John T. Fey

After being graduated from Washington and Lee University in 1939, Dr. Fey earned an LL.B. from the University of Maryland in 1940, and an M.B.A. from Harvard in 1942, and went into the Marines. Discharged as Colonel four years later, he was elected to the Maryland Legislature, earned a J.S.D. from Yale in 1952, served as dean of the Law School, George Washington University, and became president of the University of Vermont in 1958. In 1964 he was named president of the University of Wyoming and in 1966 president of the National Life Insurance Company. He joined The Equitable Life Assurance Society of the United States in 1974 and was named chairman in 1975.

Dr. Fey was elected a director of the Council for Financial Aid to Education in 1978 and became chairman in 1980. CFAE is a nonprofit service organization that promotes voluntary support of higher education from all sources and particularly from the corporate community. It publishes resource material, provides personal counseling and does research in the field of educational philanthropy. CFAE also sponsors the national public-service advertising campaign "Give to the college of your choice."

Why a New Goal for Corporate Giving to Higher Education?

Today I want to talk briefly about a new goal for giving to higher education, but before I do, I'd like to run over some of the reasons why this particular goal is so desperately needed in today's world.

I don't need to waste time telling you how important the preservation of our system of higher education is to the future of the corporate community and of the entire country. You already know that if we permit the intellectual excellence of our colleges and universities to be eroded, we will be in mortal danger of losing whatever remains of our technological leadership. We will diminish our best hope of solving the social, environmental and economic problems that trouble our nation and the world.

What I would like to do is to remind you of how the new crisis that confronts higher education is different from those you've been hearing about for so long—different and, in some ways, more threatening.

Three critical periods

Before I became a business executive, I was president of two major universities, and during those years I had the privilege of seeing higher education operate in different critical periods of our country's history. I say different periods because education has mirrors that reflect the needs and developments of our country. We have become a great country partly because of the ability of our colleges and universities to respond and adapt to the new needs of society and, I must also point out, because the rest of our society has been willing to dig in and help them.

After World War II there was a crisis of expansion. Suddenly we had to provide faculties and facilities—buildings, labs, dormitories, libraries—not only for the returning war veter-

ans but also for a burgeoning college population. It was a difficult period, but the country responded. Through private giving and state support—there wasn't much federal support in those days—higher education was enabled to double its capacity in just about ten years, and no one was denied a higher education for lack of facilities.

Then, just as this gargantuan achievement was being digested, the Russians launched Sputnik, the first space satellite, in 1957. Suddenly we realized that our country hadn't really kept up in scientific and technological development. We began to spend large quantities of money on technology, science and research. This time the source was largely federal grants. The big federal education bill of 1958 provided money for research and graduate education, and again our colleges and universities responded, building the laboratories, accumulating the equipment, educating and hiring the professors.

The Vietnam War was the third phase of American education after World War II and one of great strain on our education system. Our colleges confronted a student body that was developing new social concepts and making new demands upon our people, demands which threatened the very fabric of our society. As a result, we made new commitments, mostly to the poor and the underprivileged, promising them what no other society before had ever attempted to provide on such a large scale—access to higher education. As a result, our colleges and universities had to tool up to deal with vast hordes of often antagonistic new students, most of whom were poorly prepared to tackle college courses. Higher education retrained faculties, developed new courses, worked out entirely new approaches to the

education of undergraduates, and kept the promises society had made.

Now it's 1980, and what does higher education see ahead for itself? Still another period of testing and trial. But the scenario ahead is quite different from those played out in the past, and the reason lies with two factors that you are already most familiar with—demographics and inflation. Both of these phenomena will bear down with unusually heavy force upon higher education in the coming decade. Unless we find means of shoring it up under these pressures, our colleges and universities may well be bent almost completely out of shape, distorted in some aspects beyond recognition.

Dangerous demographics

All of you here deal in demographics in your businesses. You can't make five-, ten- and fifteen-year plans without first considering how many people, and what kind of people, will be around to constitute your market five, ten and fifteen years from now.

Many of you already are aware that the next ten or fifteen years will see a dramatic drop in the number of students being graduated from our country's high schools. Many of you may already know that this drop is estimated to be on the order of 26 percent nationally by 1991. But how many of you have considered the probable impact of this drop upon our colleges and universities? High school graduates are a primary source of college students. What will be the impact upon college enrollments of a 26 percent drop in this pool of full-time college attendees?

Before I attempt to deal with this question, let me point out that the problem is compounded by the fact that, like most demo-

graphic changes, this one will affect different parts of the country differently. The northeast section of the United States will suffer the most, with an anticipated drop of 40 percent in high school graduates. The drop will be only slightly less in the northcentral region, with 32 percent estimated as the decrease. In the western area, the drop will be only 16 percent, and the "sunbelt" area of the southeast and south-central states will experience the smallest drop of all, only about 13 percent.

Obviously, whatever the effects will be, they will be experienced unevenly. However, the basic question still remains. Will this drop in high school graduates mean a drop in college enrollments? The American Council on Education, which represents most of the colleges and universities and many educational associations, thinks not. It lists twelve ways it thinks this drop might be averted. Three involve doing a better job with the diminished supply of high school students. These include retaining more of those entering high school for four years, graduating a higher percentage of high school students—80 instead of 75 percent—and converting increasing numbers of high school dropouts into college eligibles by giving more high school equivalency tests. In addition, ACE lists nine groups of people from which it thinks a higher percentage of college students might be drawn. These include women from ages 20-34, young people from lower- and middle-income families, 18-25-year-olds, foreign students, men from 35 to 64, working people, graduate students, minority youth and adults over 25.

I recite you this litany because it will give you a foretaste of, and an explanation for, some of the unusual promotional and educational activities in which you may expect to see

colleges and universities indulging during the next fifteen years.

The ACE report postulates that if various combinations of the sources I have just recited to you are exploited successfully, instead of a drop in college enrollments in the next fifteen years, there might actually be an increase.

Other authorities are not nearly so optimistic —the Carnegie Council on Policy Studies in Higher Education, for example. Its last report, issued early in 1980, is titled *Three Thousand Futures: The Next Twenty Years for Higher Education*. The "three thousand futures," of course, refers to the three thousand colleges and universities and branches. The report itself consists of more than 150 pages and, so, my quotations can obviously only suggest the flavor of the whole. In its summary of the chapter on "Choices to be Made," the Carnegie Council says, "A downward drift in quality, balance, integrity, dynamism, diversity, private initiative, research capability is not only possible—it is quite likely."

This sounds dire, and it is. But the Carnegie report continues, and this is, I think, the important part—the part to be remembered. "But it [the downward drift] is not required by external events. It is a matter of choice and not just fate."

Private funds "the best guarantee"

Obviously, the Carnegie Council thinks this downward drift can be averted. I am sure no one will be surprised to learn that the Carnegie report names private support as one of the prime factors in averting this downward drift. The Carnegie Council addresses its report to four groups: the leaders of each institution of higher education, the state planners, the federal government and to "all those who can

contribute private funds to colleges and universities [alumni, corporations, foundations]"—with the message that their contributions are "the best guarantee of continued autonomy for all of higher education and of high quality in its most future-oriented functions of scholarship, of training the highest skills, and of commenting constructively on the functioning of society."

This is placing a very high value indeed on voluntary support. "The best guarantee of continued autonomy." Autonomy, that's the buzz word for independence, freedom from government meddling. What it means is that if enough voluntary support is forthcoming, the colleges won't have to depend so completely upon government support, with its inevitable restraints.

Note that this message also refers to voluntary support as the best guarantee "of high quality in its most future-oriented functions." The Carnegie Council obviously expects that the problems of the next twenty years aren't going to leave much room in the academic budget for all the innovating institutions would like to do, for the far-out basic research they need to tackle, the new professors they'll need to hire, or the library acquisitions they'll need to make. When tuition income drops, the money that comes in from students and endowments must be applied to bread-and-butter education. Much government money also is mandated for this kind of expenditure. More than ever, private support will have to provide the money that permits a college or university to rise from adequacy to excellence.

The Carnegie Council does not expect voluntary support to do the whole job of shoring up higher education. Far from it. The report lists eleven areas in which college administra-

tors should be working in order to avert the downward drift. "The maximization of private funds for support of higher education" is only one of the eleven, but, as they indicate, it is a mighty important one.

I hope from what I've said so far you understand that higher education is facing an entirely new set of problems in the eighties and nineties; problems that have to be dealt with differently from the problems of the past; problems that make the role of private support of even greater importance than it has been in the past.

Now I'd like to take you one step further. As I indicated at the beginning of these remarks it isn't necessary to sell anyone in this audience on the importance of supporting higher education. The record of giving of the past ten years indicates that most corporations have done a good job of giving for educational support.

Inflation shrinks giving

In 1979-80, for example, corporate giving for higher education rose 25 percent, and the corporate share of all giving to higher education rose to a new all-time high. Total voluntary support from all sources has more than doubled in the past ten years, rising from an estimated $1.78 billion in 1969-70 to $3.8 billion in 1979-80.

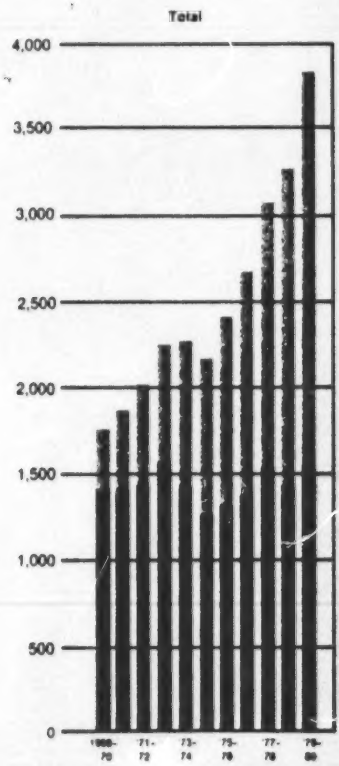
You could be pardoned for thinking that this record of progress in the past could serve as the model for the future. Unfortunately, this is not true. What has been done in the past, important as it was, will not be enough to help higher education meet the challenges of the next decade, and the reason why, of course, is inflation.

Now we've all heard so much about the dangers of double-digit inflation in the past

year or two that we may have forgotten that single-digit inflation can be disastrous to buying power, too, if it lasts long enough.

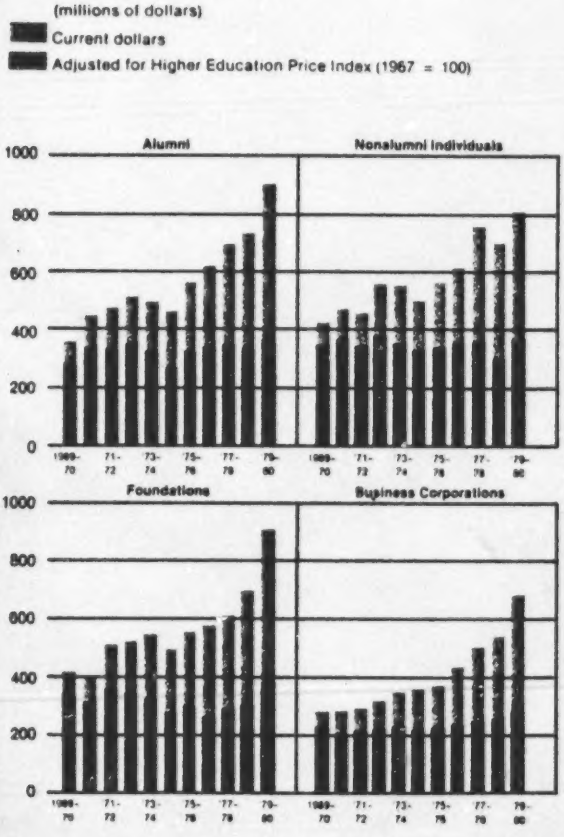
Here is a chart that shows just how destructive such inflation actually is. It shows the progress of voluntary support over the past ten years. During those years, the average

Estimated Voluntary Support of Colleges and Universities by Major Sources and in Total



rate of inflation has been 7.8 percent a year. Now look at what that comparatively low rate, by today's standards, did to voluntary support.

The light lines at the top of the bars indicate the totals for each year in current dollars. Notice how high they rise over the ten years. But look at the dark section of the bars. They



represent those same current dollars adjusted for the Higher Education Price Index, with 1967 equaling 100. The Higher Education Price Index is similar to the Consumer Price Index, except that the Consumer Price Index is figured on what the average wage earner in a family of four buys. The Higher Education Price Index is based upon the items that colleges and universities buy. As you can see, when current dollars are expressed in constant dollars, that is, in terms of what the current dollars will buy, there has been *almost no* progress in the buying power of voluntary support over the past ten years. In fact, voluntary support, in spite of the over two billion dollars in increases, actually bought only a little more laboratory equipment, books, maintenance, professors' services and other educational necessities in 1979-80 than it did in 1969-70. The four major sources of giving barely kept pace with inflation, with business doing the best job.

Per pupil spending down

Now let me tell you what has been happening to one measure of academic excellence, partly as a result of this same inflation. This quality measure of higher education is the number of dollars spent upon each pupil enrolled. The sad fact is that expenditures per pupil are considerably less than they were ten years ago, in terms of constant dollars, even though educational expenditures have risen by $31.5 billion in current dollars.

It is true that other factors affect this calculation: the tremendous growth in the number of students, the recent drop in the number of graduate students, whose education is more expensive than undergraduate education, and other things. But the fact remains, if one measure of excellence in higher education is the

number of constant dollars spent per student, then the "downward drift" feared by the Carnegie Council may already have begun.

The new giving goal—beat inflation

By now the new goal for corporate giving to higher education that I promised you at the beginning of this talk must be painfully apparent. It is, simply, to increase the amount of your giving each year by at least the amount of inflation. If you do only this much, then at least your gift will buy as much each year as it did the previous year. If you don't, it will buy less.

In my own company, The Equitable Life Assurance Society of the United States, we plan to double our contribution to higher education in the next five years. This will represent an annual increase of about 14½ percent. We planned this increase partly on the assumption that the rate of inflation was going to stabilize at somewhere between 9 and 10 percent for the next five years. On that assumption, we added from 5 to 6 percent on top as a bonus that would increase the actual purchasing power of our contribution and thus help institutions of higher education deal with the problems we have been discussing.

I hope there will be many corporate executives who will try to increase their corporations' annual gifts by more than the rate of inflation. If enough do, then private support can and will be the best guarantee of continued autonomy and high quality for higher education.

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